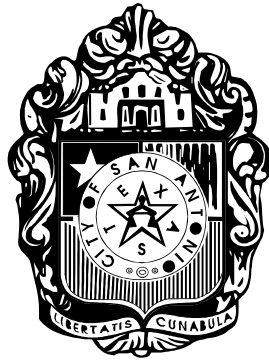


CITY OF SAN ANTONIO, TEXAS
Housing and Neighborhood Services Department



HALLIE HEIGHTS

**Tax Increment
Reinvestment Zone Nineteen**

Final Project Plan

February 2, 2007

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Executive Summary

The City of San Antonio's Tax Increment Reinvestment Zone ("TIRZ" or "Zone") Nineteen will support the construction of a residential subdivision known as Hallie Heights. The zone is approximately 35 acres in size.

The project is located in the Secondary Target Area as defined in the City's 2004 TIF Guidelines, within which the City may participate up to 90% of its tax increment generated for up to 20 years. Projects in this area must provide a minimum of 30% market rate housing (except for senior housing).

This TIRZ will enhance the quality of life for the existing residents of the greater area, and the City will gain a self-sustaining, single-family neighborhood. The Hallie Heights development is located in City Council District 4, in the Southwest Independent School District, in the southwest section of the City of San Antonio. It is more specifically located on the northwest corner of Southwest Loop 410 and Ray Ellison Drive.

The zone will support construction of 200 single-family homes with an average sales price of \$102,000. The developer of the property is HLH Developments L.P. and is requesting reinvestment zone participation from the City of San Antonio, the San Antonio River Authority and Bexar County.

The public infrastructure improvements and related project costs include site work, storm water pollution prevention, streets, drainage, sewer, water, electric, platting/zoning permits, street lights, street signs, park fees, drainage fees, engineering/surveying, drainage study, geotechnical, environmental assessment, construction management and legal/formation expenses, and other costs approved by the TIRZ Board.

The Board of Directors for Hallie Heights TIRZ Nineteen, met on February 2, 2007, and approved the Final Project Plan and Final Financing Plans. The life of the Tax Increment Reinvestment Zone is projected to be 19.82 years with the TIRZ being in existence through September 30, 2024.

Hallie Heights

1. Tax Increment Financing: Policy and Program

A. POLICY

The City of San Antonio is dedicated to the revitalization of inner-city neighborhoods and commercial districts, particularly in those areas located inside Loop 410 and south of Highway 90. A tiered system of incentive tools, including Tax Increment Financing (TIF), has been structured to meet the City's revitalization and reinvestment goals. Development projects supported by a Tax Increment Reinvestment Zone (TIRZ) should act as economic stimuli to surrounding areas. By leveraging private investment for certain types of development within a targeted area, TIF can be a tool used to assist in financing needed public improvements and enhancing infrastructure. Each taxing entity that collects taxes against the property within a TIRZ has an opportunity to contribute these future tax revenues to a TIRZ fund to reimburse developers for the cost of public infrastructure improvements in the TIRZ.

B. PROGRAM

San Antonio's TIF Program strategy to support development and redevelopment is unique in the State. The TIF Program has evolved since 1998 to ensure that the incentive is used today to support the City's Economic Development, Community Development and Urban Design goals. TIF seeks to directly promote recommendations made in the City's Master Plan, CRAG Report, Neighborhood Plans, Community Plans, Corridor and Area Plans, and Housing Master Plan.

TIF GUIDELINES

The City of San Antonio (City) adopted Guidelines and Criteria for TIF by Ordinance No. 98663 on January 8, 2004. The Guidelines were established by the City in 1998 by Ordinance No. 88196, amended by Ordinance No. 92552 in 2000, and Ordinance No. 92710 in 2002. The Guidelines serve as policy direction to City staff and interested parties regarding the Application for Redevelopment specifically related to Tax Increment Financing, which supports certain types of development

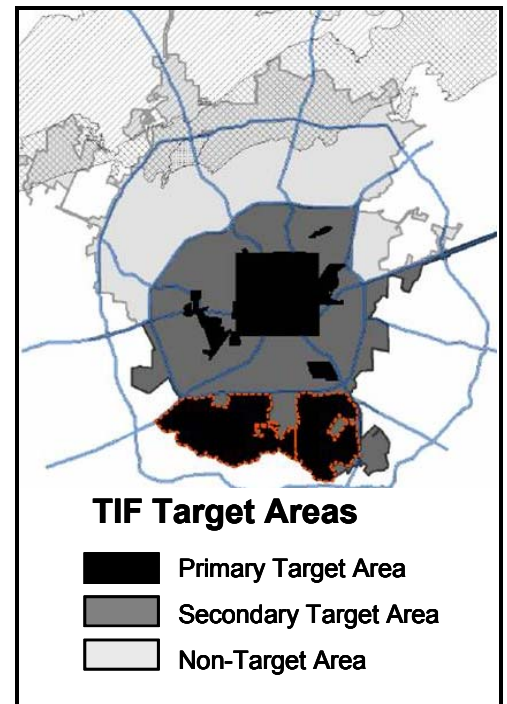
Tax Increment Financing Highlights:

- TIF is an incentive tool that local governments can use to finance public improvements and enhance infrastructure within a defined area, called a Tax Increment Reinvestment Zone (TIRZ), which act as an economic stimulus for residential & commercial developments
- Tax Increment Financing is governed by the TIF Act found in Chapter 311 of the Texas Tax Code
- The TIF Act specifies that areas to be designated as a TIRZ must be economically distressed, unproductive, underdeveloped, or blighted and impair the City's growth because of these factors

in targeted areas of the city. Reinvestment Zones may be designated either through (1) a City-initiated project following a Request for Proposals and the submission of an Application for Redevelopment to the City pursuant to these Guidelines, or (2) the independent submission of an Application for Redevelopment to the City pursuant to these Guidelines in conjunction with the petition of a property owner as detailed in Section 311.005 (a)(5) of the Texas Tax Code. All TIRZ are governed by the Guidelines in effect at the time of the TIRZ creation by City Council.

TIRZ BOARD

The TIF Act requires that the City Council establish a reinvestment zone Board of Directors when designating a TIRZ. As amended in 2001, the TIF Act provides a formula for calculating the number of seats a taxing entity may have based on its anticipated pro rata contributions to the zone fund. The minimum number of Board members for a TIRZ is nine. Based upon the required calculations for this Reinvestment Zone and the anticipated participation levels of the other taxing entities, the Hallie Heights Board shall consist of eleven members.



**Hallie Heights is located
in the Secondary Target Area**

The City shall appoint six directors, San Antonio River Authority one director and Bexar County shall appoint two directors. Additionally, the State Senator and State Representative in whose districts the zone is located shall also be members of this Board, except that either may designate another individual to serve in the member's place at the pleasure of the member. To be eligible for appointment, an individual must either be a qualified voter of the City, or be at least 18 and own real property in the zone or be an employee or agent of a person that owns real property in the zone. City appointees will be required to comply with all policies related to City Boards and Commissions to the extent there is no conflict with the TIF Act.

TARGETED ECONOMIC DEVELOPMENT

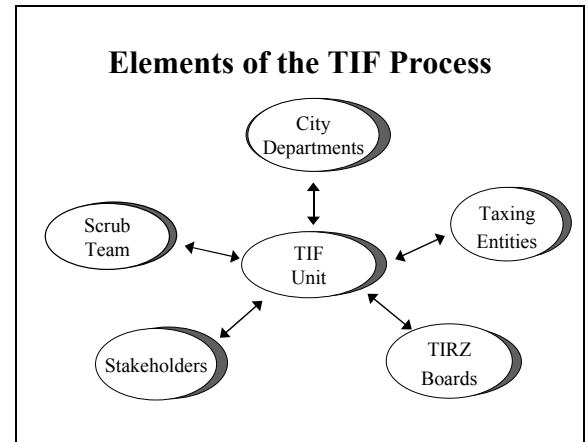
Use of TIF is tailored to the strengths and needs of specific areas of the City. The City has identified target areas where projects may be eligible for TIF with varying participation levels and a term of up to 25 years.

Primary Target Areas (Highest Priority Area): City may participate up to 100% and for a term of up to 25 years

Secondary Target Areas: City may participate up to 90% and up to a term of 20 years

Non-Target Areas: City may participate up to 65% and up to a term of 20 years

The City may not designate any area as a Reinvestment Zone solely for the purpose of encouraging future development in that area, but may do so if development or redevelopment would not occur solely through private investment in the reasonably foreseeable future. In all proposed Zones, the Applicant(s) must make available an independent market feasibility study in order to demonstrate the demand, viability, and capacity for the project. This study should validate absorption rates, estimated values, adjacent property lease space and reference established and on-going neighborhood plans.



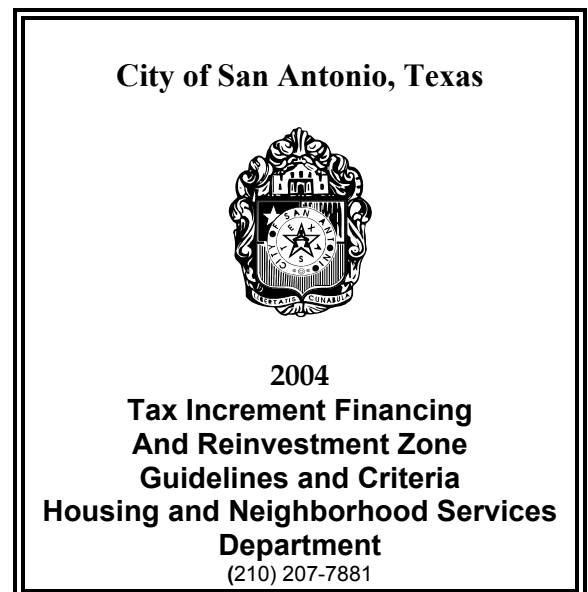
COMMUNITY DEVELOPMENT

TIF Applicants must demonstrate how the planned investment will contribute to revitalization activities in the community of which the TIRZ is a part. The Applicant must also indicate how the input of nearby neighborhood residents, businesses, and schools has influenced the project planning process. All proposals must communicate and demonstrate how the project achieves objectives of the City's Master Plan and/or the CRAG.

DESIGN QUALITY

All projects supported by TIF should add long-term value to the public realm. Accordingly, projects must be built according to design principles that prioritize the safety and comfort of all public infrastructure users – whether they are walking, jogging, riding or driving. The City's Unified Development Code (UDC) sets out a menu of approaches to help designers and developers meet the program's Urban Design Goals.

Projects must also consider the long-term value of the private improvements supported by TIF. Specifically, the Master Plan calls for efforts to facilitate the provisions of choice in housing for special needs populations (Neighborhoods: Policy 4d). Efforts to meet this policy may include ensuring homes are visitable or easily adaptable to disabled persons. Policy 4i requires the community to explore the full range of options to allow people to remain in their homes throughout their lives.



<http://www.sanantonio.gov/nad/devdiv/tif/tif.asp>



The City of San Antonio adopted a Universal Design Policy (Ordinance No. 95641, City Code, Chapter 6, Article XII) on April 18, 2002, requiring that any person receiving financial assistance from city, state, or federal funds administered by the City of San Antonio for the construction of new single family homes, duplexes, or triplexes, shall construct the units in accordance with specific features including entrance with no steps, wider doorways (2' 8"), lever door handles, lever controls on kitchen and lavatory faucets, and light switches and electrical receptacles within reachable height.

According to a compromise agreement reached with the Developer, 157 units in Phase 1, 2A, and 2B do not comply with UD, but only 38 non-compliant units will be deducted from the total taxable value, resulting in the reduction of the projected captured value by \$4,783,862. The tax collections attributable to the reduced captured value are estimated to be \$31,949 annually, which will not be deposited to the HHTIRZ fund but will instead be retained by the Participating Taxing Entities. The remaining 43 units in Phase 3 shall comply with the Universal Design requirements. If it is discovered that any units in Phase 3 do not comply, those non-compliant units will also be deducted from the total taxable value.

ENVIRONMENTAL PROTECTION

The TIF Program supports the Master Plan's Natural Resources Goal 1: to preserve the unique, rare and significant features of San Antonio's natural environment. The health of the Edwards Aquifer is of particular concern to San Antonio residents. In accordance with Natural Resources Policy 1b (see sidebar), the TIF program has established specific policies that strictly limit the use of TIF over the Aquifer.

The 2004 Guidelines do not allow applications for TIF where all or part of the proposed project falls over the Edwards Aquifer Recharge Zone.

The Hallie Heights TIRZ is not located over any part of the Edwards Aquifer.



No Step entrance

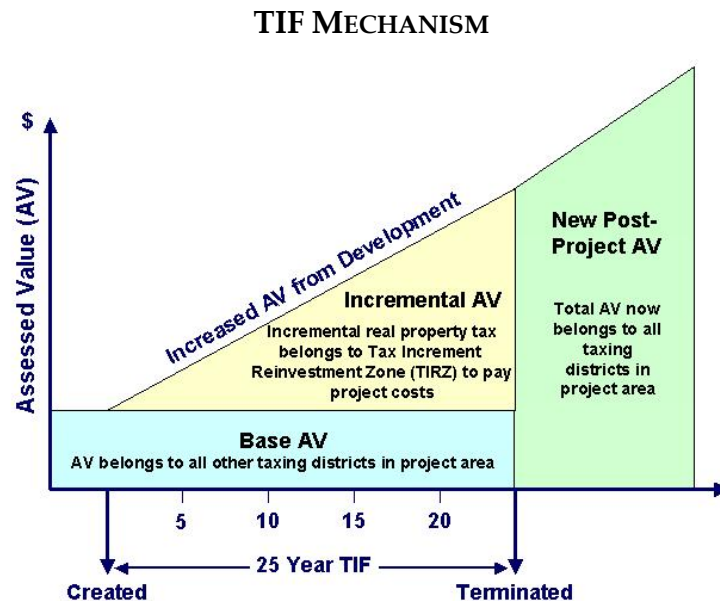


Walls shall be reinforced around showers; tubs and toilet for future installation of grab bars.

2.Designation and Participation

The long-term success of any Tax Increment Reinvestment Zone is contingent on the participation of one or more taxing entities and on the long-term commitment of the applicant. The Hallie Heights project has secured commitment to participate in this TIF project from the City of San Antonio at a 90% participation level, Bexar County to participate at a level of 50% of the Operation and Maintenance portion of the tax rate, and the San Antonio River Authority at a 25% level, over the projected 24.82 years life of the TIRZ.

A. TIF MECHANISM



**Base Assessed Values in a TIRZ continue to be collected by taxing entities.
Only the new values (the increment) are collected in the TIRZ Fund.**

Once a Reinvestment Zone has been established, incremental real property taxes resulting from new construction, public improvements, and redevelopment efforts may be collected in the TIRZ Fund. The City of San Antonio enters into a written agreement with all participating taxing entities to specify: (1) the conditions for payment of the tax increment into a TIRZ Fund, (2) the portion of tax increment to be paid by each entity into the TIF Fund, and (3) term of the agreement.

B. PARTICIPATION

CITY OF SAN ANTONIO

The City of San Antonio's TIRZ roles and responsibilities include the following:

- Pre-application consultation
- Application review and analysis
- Statutory presentations
- TIRZ Board administration
- TIRZ Fund administration and review of invoices for reimbursement
- Ongoing monitoring of construction

The City of San Antonio will contribute 90% of its increment to the Hallie Heights TIRZ. The balance of the increment (10%) will be dedicated to the Highest Priority Areas Infrastructure Fund. The life of the TIRZ is projected to be 19.82 years, with the TIRZ being in existence until September 30, 2024.

BEXAR COUNTY

May 12, 2004, Commissioners Court approved the Guidelines and Criteria for Bexar County. In accordance with their Guidelines, the participation level for the County does not exceed 80% and the term of participation is capped at 25 years.

The City of San Antonio made a statutorily-required presentation to Bexar County in November 2004 regarding the Hallie Heights TIRZ. The County set their participation level for this project at 50% of the Operations and Maintenance portion of the tax rate. County participation shall not extend beyond September 30, 2024.

SAN ANTONIO RIVER AUTHORITY

On November 16, 2005, the Board of Directors of the San Antonio River Authority approved a resolution No. R-1265 in support of participation in the Hallie Heights TIRZ. This resolution set the Authority's participation level at 25%, and waived the authority's statutory right to the sixty (60) day notice period as prescribed by Chapter 311.003(e) of the Texas Tax Code. The River Authority's participation shall not exceed beyond September 30, 2024.

Participating Taxing Entities:
City of San Antonio, Bexar County and the
San Antonio River Authority



C. DEVELOPER

The project Developer is HLH Developments L.P., formed to develop residential products for the affordable housing market. The principal operations officer is Harry Hausman. The limited partnership is owned by Harry Hausman and his family, and has completed four subdivisions over the past five years, including La Coste Heights, Legend Oaks, Hunters Lake and Hunters Oak.

The Developer's responsibilities include the provision of quarterly reports (project status reports) to the City's TIF Unit (due the 15th of October, January, April and July or the first business day thereafter) that includes: copies of publicly bid documents for public improvements, detailed invoices related to project costs, disclosure of any relevant changes in project, ownership, financial stability, or any anticipated assignment.

3.Existing Conditions



Locator Map.

A. REGIONAL CONTEXT

The Hallie Heights TIRZ is located in the southwestern section of the City of San Antonio, just outside SW Loop 410 off of Ray Ellison Boulevard. The site is within the Medio Creek Watershed. (See Exhibit B: Boundary/Floodplain Map.)

In this part of San Antonio Loop 410 runs between Lackland Air Force Base and Lackland Annex, and neighborhoods have been built in relatively narrow strips along both sides of Loop 410. Existing development is primarily suburban residential, with some incipient commercial development at a few intersections. A significant amount of acreage in the area has remained undeveloped for decades. Highway frontage, in particular, has failed to develop into the commercial uses that may have been originally prefigured to serve the existing single-family districts. Today, that vacant frontage is being reconceived primarily for additional residential uses.

Schools and School Districts

Hallie Heights TIRZ is in the Southwest ISD. Sun Valley Elementary School, in Southwest ISD, is located about 0.125-mile north of the TIRZ just west of SW Loop 410. The closest Middle School, North Side ISD's Sam Rayburn, is about a mile northwest of the TIRZ along Loop 410. (See Exhibit A: Vicinity/School Districts Map.)

The Hallie Heights development provides a direct pedestrian route to Sun Valley Elementary School along Hallie Spirit, which runs north north-westerly along the eastern side of subdivision.

Parks

Medina Base Rd. Park (also known as Indian Creek Park) is located 1 mile northeast of the TIRZ. As detailed below in the Project Information section, this TIRZ will create a small new park at the southwest corner of the intersection at Paradise Valley and Hallie Ridge.

Emergency Services

The Hallie Heights TIRZ can be reached by Station #36 in the standard 4.25-minute response time. Station #36 is located at 5826 Ray Ellison, and provides both Firefighting and Emergency Medical Services.

Neighborhood Plans and Associations

The Hallie Heights TIRZ is located within an area covered by the P.A.C.E. (People Active in Community Effort) neighborhood association. A third of a mile away is the Springvale neighborhood association. Both associations submitted letters of support for the designation of this TIRZ. The P.A.C.E. letter made their support conditional upon:

- pedestrian access being provided through the TIRZ to the Sun Valley Elementary school;
- the existing Sun Valley street being extended through the TIRZ with ingress/egress onto the Loop 410 frontage road; and
- a P.A.C.E. representative being appointed to the TIRZ Board.

Pedestrian access is being provided to the elementary school along Hallie Spirit Street. Sun Valley Street currently extends to Hallie Pass Street, which in turn creates a stub-out onto property not owned by the Developer but abutting the Loop 410 access road. The TIRZ Board can continue to track plans for development of that parcel so as to support a connection to the Loop 410 access road near the southwest corner of the TIRZ. A P.A.C.E. representative currently serves on the Board as the designee of state Senate District 19.

On August 8, 2005, City Council approved the United Southwest Communities Plan covering the Hallie Heights project and other areas. The plan specifically proposed that the City consider redrawing the Hallie Heights TIRZ boundaries to include additional property along Ray Ellison Blvd. in order to provide funds to pay for additional street and drainage improvements. While expanded boundaries are not part of the present project plan, the TIRZ Board may decide take up this proposal in the future.

B. SITE CONDITIONS

Topography and Hydrology

The site lies approximately 760 feet above mean sea level. The topography of the site slopes gently to the south and southwest. In general, the site drains from the northeast to the southwest. Except for an approximate 1.40 acres of its southwest corner, the site lies outside the influence of the 100-year flood plain of any defined water stream. (See Exhibit B: Boundary/Floodplain Map.) The approximate 1.40-acre flood plain area should not affect development of the rest of the site.

Environmental Assessment

The Environmental Services Department reviewed the Phase I Environmental Site Assessment (ESA) report for the Hallie Heights site conducted and submitted by Seda Consulting. According to the Phase I ESA, there were no recognized environmental conditions identified on the subject site; therefore, no further environmental action was recommended.

Based on their assessment and our review, the Environmental Services Department concurs with the consultant's conclusion and recommendation.

Existing Vegetation

Aerial photography of the site shows undeveloped land with a water tower lying just within the vertex of the “L”-shaped property. Existing vegetation appears to be a mix of native trees, brush and grasses.

C. DEMOGRAPHICS

Hallie Heights TIRZ is located in Census Tract 161800, and is immediately bounded by Tracts 161502 and 161700. These census tracts are within a quarter-mile of the project boundaries, and were used to analyze demographics and property values for the TIRZ.

Education

According to the 2000 U.S. Census (DP-2. Profile of Selected Social Characteristics. 2000 Data Set: Census 2000 Summary File 3 (SF3) - Sample Data), the percentage of San Antonio's population without a high school degree is 24.9%.

The Hallie Heights Census Tracts show a slightly better percentage than the San Antonio average, at 20.3%.

Health

The Metropolitan Health District publishes an annual listing of the County's unhealthy zip codes. These zip codes are chosen for high rates of teen births, drop-outs, sexually transmitted diseases, domestic violence cases, juvenile probation cases, stray animal calls, elevated blood lead levels, juvenile asthma cases, EMS calls, and infant deaths.

Hallie Heights TIRZ is in zip code 78227, listed as unhealthy by the latest Metropolitan Health District list.

Poverty

The 2000 Census (QT-P34. Poverty Status in 1999 of Individuals: 2000 Data Set: Census 2000 Summary File 3 (SF3) - Sample Data) describes San Antonio's percentage of population living below poverty level at 17.3%.

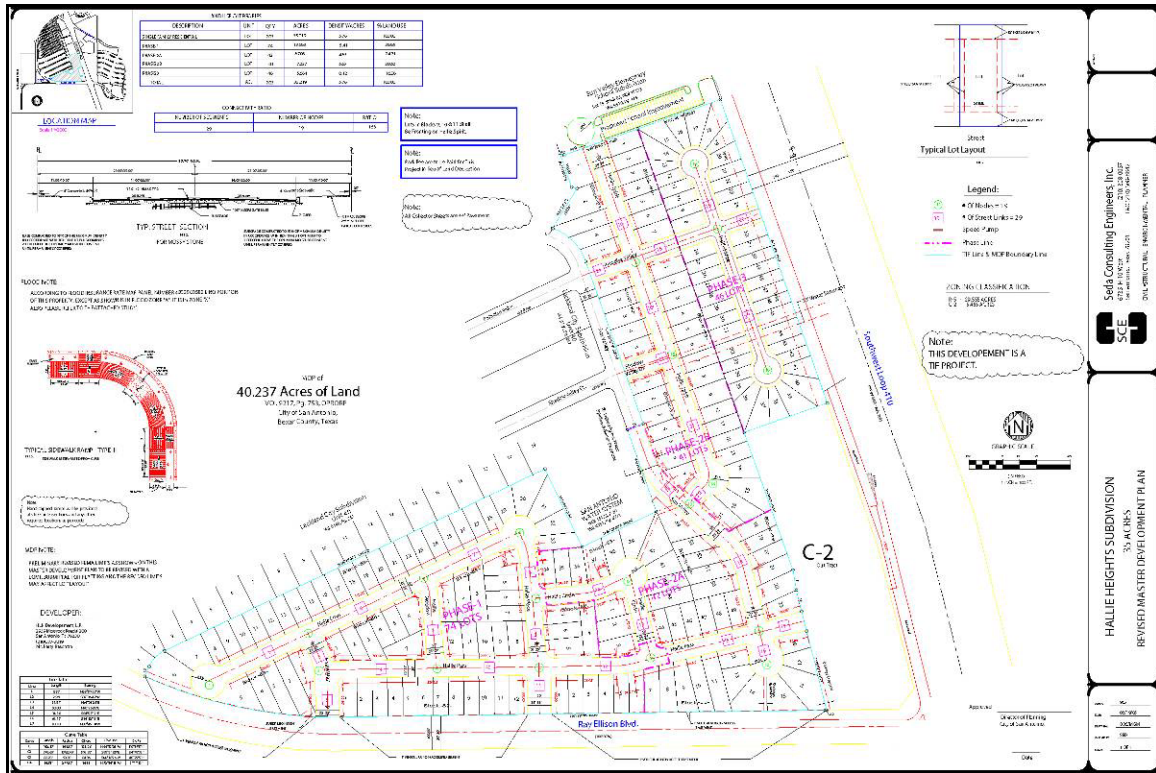
Hallie Heights Census Tracts' percentage of population living below poverty level is slightly lower: 15.0%.

Employment

The 2000 Census (QT-P24. Employment Status by Sex: 2000 Data Set: Census 2000 Summary File 3 (SF3) Sample Data) reports San Antonio's percentage of unemployed civilians at 6.2%.

Hallie Heights Census Tracts' unemployment percentage is than the City average, at 2.7%.

4. Project Information



A. CONCEPT

The Hallie Heights Tax Increment Reinvestment Zone (TIRZ) development is located on approximately 35.01 acres of land on San Antonio's southwest side. The Hallie Heights project is subject to R-5 residential single-family zoning (29.555 acres) and to R-3 residential single-family zoning (5.664 acres). This TIRZ will finance public infrastructure to facilitate the construction of 200 single-family homes and the average sales price of the homes will be \$102,000.



Aerial of Hallie Heights Project area.

B. STREET SYSTEM

The City of San Antonio seeks to discourage discontinuous street systems that provide inefficient service and channel traffic into relatively few points of the transportation network. A well-connected street system spreads traffic efficiently, provides greater opportunities for access by service and emergency vehicles, and furthers pedestrian mobility by increasing the number of destinations. (See Master Plan, Urban Design, Policy 1c).

The calculation of internal street connectivity using the connectivity index preserves the opportunity to provide some cul-de-sacs while, at the same, maintaining the integrity of the network as a whole. The City's minimum connectivity index is 1.20. The Hallie Heights street system has a connectivity index of 1.63, notably higher than the minimum connectivity currently required.

External street connectivity – how well the development connects to the larger arterial system – is promoted by requiring development to connect to the existing street network. This project will provide a direct connection to the school of the existing subdivision.

C. INFRASTRUCTURE

The successful development of the Hallie Heights project will require reimbursements of public infrastructure improvements and related capital costs that include: site work, storm water pollution prevention, streets, drainage, sewer, water, utilities, platting/zoning/permitting fees street lights/signs, drainage fees, park fees, drainage study, engineering/surveying fees, geo-technical, phase one environmental, contingency, construction management, legal and formation fees.

The estimated infrastructure costs are listed here for Phases 1 through 3.

- a. Approximately 9,000 linear feet of Streets and Drainage, at an average cost of \$103 per linear foot.
- b. Approximately 14,000 linear feet of sidewalks, to be built by house builders.
- c. Approximately 6,100 linear feet of sewer mains, at an average cost of \$43 per linear foot.
- d. Approximately 7,400 linear feet of water approach and service mains, at an average cost of \$42 per linear foot.

INFRASTRUCTURE MAINTENANCE AGREEMENT

The Developer and the City have negotiated an extended 5 year warranty and maintenance agreement for streets and drainage. This extended warranty process is outlined below:

(a) The Developer shall, at its own cost and expense, maintain or cause to be maintained all public improvements, until acceptance by the City as evidenced by written acceptance and for one (1) year after Completion.

(b) Upon acceptance of a streets or drainage improvements for maintenance by the City, Developer shall deliver to the City a one-year extended warranty bond, naming the City as the Obligee, in conformity with Chapter 35 of the City's Unified Development Code. The cost of repair, replacement and maintenance for defects discovered during the first year after completion shall be paid by the developer or the bond company and shall not be paid out of TIF funds.

(c) After the expiration of the one (1) year extended warranty bond, the cost of the repair, replacement and maintenance of the public improvements shall be the responsibility of the City; however, the City shall be reimbursed from the Contingency Fund as listed in the Financing Plan (the "Contingency Fund") for those costs, including, but not limited to: demolition, rebuilding, engineering, design, new construction or any other cost necessitated by the failure without regard to fault or degree ("failure") of public infrastructure which is discovered within the second (2d) through fifth (5th) years after completion of the infrastructure.

(d) If no costs for the repair, replacement or maintenance of a public improvement as a result of a failure are claimed by or due to the City during any year within the second (2nd) through fifth (5th) years after completion of the infrastructure, the Developer shall receive the entire approved reimbursement amount available in that year.

(e) In the event any costs for the repair, replacement or maintenance of a public improvement are claimed by the City due to a failure discovered within the second (2nd) through fifth (5th) years after completion of the infrastructure, the City shall be fully reimbursed those costs from the TIRZ Contingency Fund.

(f) In the event the TIRZ Contingency Fund does not reflect an amount equal to the costs of the repair, replacement or maintenance of the public improvement, the Contingency Fund balance shall be increased by reallocating other costs within the Financing Plan and reducing the approved amount of reimbursement that would have been remitted to the Developer, until the City has been reimbursed its costs in full.

(g) Payment of the City shall take priority over reimbursement of the Developer.

(h) This reallocation of funds shall not be considered an amendment of the Financing Plan and requires no action by the Board or the City Council to be effective.

(i) It shall be no defense to the City's reimbursement of itself out of the TIRZ fund that the City or its agents have inspected, accepted or approved the public infrastructure. Approval or acceptance of public infrastructure is not a waiver of claims under this section. The City may attempt multiple repairs on the same infrastructure and reimburse itself for each attempt.

(j) The Developer, its agents, employees, and contractors will not interfere with reasonable use of all the Public Improvements by the general public, except for drainage retention improvements. In accordance with the Construction Schedule, the Developer shall use its best efforts to dedicate (or grant a public easement) to the Public Improvements where applicable to the appropriate Participating Taxing Entity (as determined by the City), at no additional cost or expense to the City or any other Participating Taxing Entity within sixty (60) days after completion and acceptance of the improvements.

(k) Reimbursement of the developer shall not be unreasonably denied provided the improvement has reached "Completion" under Subsection (a) or (b) above, and provided that the City has no active claim for reimbursement under this section.

(l) The requirements of the contract cannot be waived or modified in any way by an engineer, employee or other official of the City or its subordinate agency with responsibility for inspecting or certifying public infrastructure. The actions of a city employee or agent do not work an estoppel against the City under the contract or the Unified Development Code.

D. PARKS

The Developer paid a park fee in lieu of land dedication for Phases 1 and 2. Property will be dedicated at the southwest corner of Paradise Valley and Hallie Ridge for a small park, to include a covered bus stop, three picnic tables on concrete pads and landscaping.

E. FINANCIAL INFORMATION

HLH Developments LP proposed in its application to use conventional bank lending for the streets, utilities, and other infrastructure improvements.

The Final Finance Plan estimates to increase the 2004 base value from \$955,400 to \$21,546,632 through the life of the TIRZ in FY 2024. This project is located in the Secondary Target Area and is eligible for the City's participation at 90% with projected tax increments deposited to the TIRZ Fund of \$1,396,430. The Final Finance Plan reflects Bexar County participation at 50% of their tax rate with projected tax increments of \$383,916 and further reflects San Antonio River Authority's participation at 25% of their tax rate with projected tax increments of \$10,758. The total projected combined tax increment collection for all taxing entities is \$1,791,103. The developer's proposed contribution is estimated at \$1,502,279. The maximum contribution for the participating

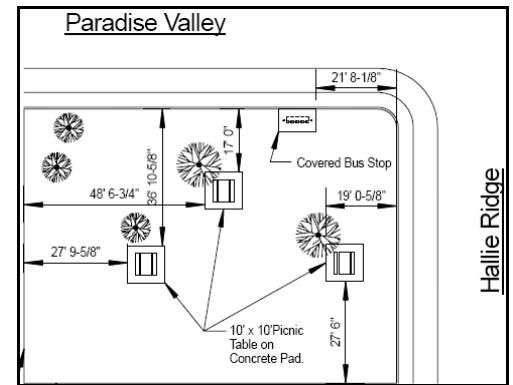


Diagram of park in Hallie Heights Phase 3.

taxing entities is \$3,293,382 which reflects the total costs of infrastructure and related development costs. The term of the zone expires on or before September 30, 2024

5. Project Feasibility

The Hallie Heights Tax Increment Reinvestment Zone (TIRZ) development is located on approximately 35.01 acres of land on San Antonio's southwest side. The property is just west of SW Loop 410, just north of Ray Ellison Boulevard, south of the Sun Valley Elementary School and east of Lackland Subdivision Unit 40. The developer will build 200 single-family homes. This development is planned over three phases with construction beginning in 2003 and completion anticipated in 2006. The average sales price for homes will be \$102,000.

Market Conditions¹

Ranked as one of the tenth largest cities in the United States, San Antonio is considered one of the fastest growing metropolitan areas. Between 2000 and 2003 it was the third fastest growing area in the United States. Additionally, it offers close proximity to the major Texas population centers, and has north-south and east-west interstate highways connecting San Antonio with all the major Texas cities, the entire United States and Mexico. San Antonio, strategically located in south central Texas, along the Interstate 35 (I-35) corridor, has historically served as the economic hub of the region, which has resulted in the development of a diverse economy. The economy is a mix of anchoring business services, including a growing medical and health delivery sector, various manufacturing facilities, convention and visitor industry, and the military.

The San Antonio area has seen significant growth during the last 30 years enjoying an average annual growth rate of 3.5%. Based on the Texas Comptroller's economic model of Texas, employment in the San Antonio region is projected to continue to grow at a 1.6% annual rate through 2005. During this time, the population, as well as per capita incomes of the San Antonio area, has also grown and is expected to continue. According to the Greater San Antonio Chamber of Commerce Economic Analysis Panel, local business activity has remained steady in the first quarter of 2004. San Antonio has posted an 11,161 net job gain and a .9% unemployment rate drop between January 2004 and May 2004.

The housing market in San Antonio offers variety in price and location. The average price for a pre-owned house in the San Antonio area in 1997 was \$106,000, while the median price was approximately \$86,000, according to the Real Estate Center at Texas A&M University. In 2003, those figures increased respectively to \$138,300 and \$113,800. The areas in San Antonio experiencing marked growth generally stretch northward toward Boerne and north/northeast along the United States 281 and I-35 corridor and include single and multifamily developments serving higher-income

¹ Information in the remainder of this section was provided to the City by applicant in 2004 as part of TIF application.

households. New housing product in other sectors of the City remains relatively limited and newly constructed affordable housing products are even more limited citywide.

In the period from 1999 to 2004, the City of San Antonio's average total value (land plus improvements) increased 44%. In the same time period, the values of the Hallie Heights TIRZ Census Tracts increased only 32%.

According to studies done by the TIRZ applicant, home values in the adjacent subdivision have remained stagnant and in some cases declined in value over the last three years.

Responding to the demand of the target market for additional housing units, the proposed Hallie Heights development should provide an affordable alternative to recent and ongoing market housing developments.

Target Market

The target market, defined for the purposes of this study, is a 1.5-mile radius surrounding the subject site. This area consists primarily of households in the San Antonio area that earn at or below 80% of the area median income, adjusted for family size. For a family of four, the 2002 median income for San Antonio is \$46,200. The current median age for the residents in this area is 23.37 years (average age is 29.51), well below the national median age of 36.2. The average household income for the target market is estimated to be \$43,225 and is expected to increase 15.9% to \$50,098 over the next five years, based on Claritas projections.

Effective Market Area

For the purposes of this analysis, the Primary Market Area (PMA) is defined as a half-mile (0.5-mile) radius extending from the proposed development site. The Secondary Market Area (SMA) is defined as a one and one-half (1.5-mile) radius extending from the proposed development site. Major arteries for the Primary and Secondary Market Area include Loop 410, Medina Base Road and Ray Ellison Boulevard. The PMA and SMA were selected based on residential movement that is expected within the San Antonio area.

Population

The population growth in the San Antonio area has been consistently above national averages for the past ten years ranging from 1.6% to 2.3% since 1991. The Texas State Data Center projects that the population will increase from the Census estimate between 2000 and 2005 by an average gain of approximately 39,000 per year.

Demand for Housing

San Antonio experienced the formation of 108,925 households between 1990 and 2000 Censuses, equating to an annual average of approximately 10,900 households. This implies a correlation between population growth and household formation of about two people for every one marginal household. Applying this ratio suggests that over 8,500 households will be formed in 2002. Historically, demand for new single-family housing

within Bexar County has averaged 6,311 units annually over the past five years, with an overall demand of 8,431 units in 2003.

The median home price was approximately \$112,100 in the first quarter of 2004 with 63.4% of households living in owner-occupied housing, slightly below the national average of 64.2%. Due to the improving economy in 2004, a relatively low interest rate, and a steady supply of single-family housing, it is anticipated that the propensity to own will increase over this year and the next. Single-family absorption varies geographically in San Antonio, with areas north of US Highway 90 and outside Loop 410 capturing the largest share over the past five years.

New Single Family Absorption Chart

NEW SINGLE FAMILY ABSORPTION (INNER CITY) BY PRICE RANGE 1996-2000								
Price Range	1996	1997	1998	1999	2000	1996-2000	1996-2000 (AVG)	Percent of Total
<i>Less than \$60,000</i>	10	118	104	121	204	557	111	47.8%
<i>60,000 to \$79,000</i>	2	2	2	21	49	76	15	6.6%
<i>\$80,000 to \$99,000</i>	0	1	21	99	63	184	37	16.1%
<i>\$100,000 to \$124,000</i>	0	0	2	33	44	79	16	6.9%
<i>\$125,000 to \$199,999</i>	15	17	12	8	12	64	13	5.6%
<i>\$200,000 and over</i>	29	24	27	51	53	184	37	16.1%
TOTAL	56	162	168	333	425	1144	229	100.0%
Numerical Change		106	6	165	92			
Percent Change		189.3%	3.7%	98.2%	27.6%			

Source: Housing Market Analysis City of San Antonio 2001

NEW SINGLE FAMILY ABSORPTION (INNER CITY) BY PRICE RANGE 2001-2005								
Price Range	2001	2002	2003	2004	2005	2001-2005	2001-2005 (AVG)	Percent of Total
<i>Less than \$60,000</i>	215	218	214	207	2019	1062	212	48.7%
<i>60,000 to \$79,000</i>	29	30	29	28	29	145	29	6.6%
<i>\$80,000 to \$99,000</i>	71	72	71	68	69	351	70	16.1%
<i>\$100,000 to \$124,000</i>	30	31	30	29	30	151	30	6.9%
<i>\$125,000 to \$199,999</i>	25	25	25	24	24	122	24	5.6%
<i>\$200,000 and over</i>	71	72	71	68	69	351	70	16.1%
TOTAL	441	447	439	425	429	2181	436	100.0%
Numerical Change	16	6	-8	-14	4			
Percent Change	3.8%	1.4%	-1.8%	-3.2%	0.9%			

Source: Housing Market Analysis City of San Antonio 2001

Absorption of new apartments has been strong for the past year. Hendricks and Partners estimates that 4,822 units were absorbed in 2000, an amount exceeding 4% of the

invention, with over 2,000 units absorbed in the fourth quarter alone. The San Antonio area continued to fill nearly 3,500 units in 2001. Strong leasing demand in 2001 pushed market vacancies to the lowest levels in more than five years with an average occupancy of 94.1%.

The Downtown San Antonio Housing Authority is planning two projects, Rex Apartments and Victoria Courts. The existing complexes at the sites have been demolished. In addition, the Friedrich Building on East Commerce has dedicated space for conversion into residential lofts.

Over the past twelve months absorption of new apartments units increased, however in the 2nd quarter of 2004 there were more units added to inventory than were absorbed. Overall occupancy rates dropped during the second quarter from 91.75% to 91.69%. Class-A and new apartments continued to lease well with losses occurring in Class-B and C complexes. According to the Texas A&M Real Estate Research Center there are currently over 5,000 units under construction with an additional 4,400 units expected to break ground in the next 12 months. The continued addition of large numbers of new Class A units will continue to impact B and C Class units with an increasing number of projects becoming economically infeasible to keep open.

Market Area Profile

According to Claritas Data, the current median household income for the Primary Market Area is estimated to be \$43,225 and is projected to increase 14.0% over the next five years, from \$43,225 to \$49,277. The current average household income for the Secondary Market Area is estimated to be \$45,642 and is expected to increase by 15.9% over the next five years, from \$45,642 to \$52,899.

The City of San Antonio has been experiencing consistent growth in population over the past 30 years as well as a significant increase since 1990. Furthermore, the population is projected to increase by another 24.2% by the year 2007. The Primary Market Area has a projected population increase of 11.9% from 2000 to 2007, which is a great increase from the 2.9% experienced from 1990 to 2000. Moderate increases in the Secondary Market are expected to continue.

Population

	1990	2000	Est. 2007
Primary Market Area†	2,790	2,874	3,263
Secondary Market Area‡	19,881	20,033	21,455
City	935,933	1,144,646	1,510,127

Change In Population Percentages

	1990-2000	2000-2007
Primary Market Area†	2.92%	11.92%
Secondary Market Area‡	.756%	6.62%
City	18.2%	24.2%

Age

	<18	18 - 64
Primary Market Area†	31.75%	54.11%
Secondary Market Area‡	26.9%	65.29%
Median Age	28.65	23.37

2002 Est. Median Household Income

	2004
Primary Market Area †	\$44,986
Secondary Market Area ‡	\$42,028
City	\$46,200

† "Primary Market Area" covers a 0.5 mile radius.

‡ "Secondary Market Area" covers a 1.5 mile radius.

The area for the Hallie Heights development has experienced almost no increase in population percentages due in part to the lack of available housing product. Recent investment in this area may act as a catalyst to encourage an increase in the population.

Data indicates that over half of the population consists of eligible members of an active workforce with income earning potential between the ages of 18 and 64 years of age. It is estimated that the median age for the Primary Market Area will increase to 30.1 years by 2005, remaining slightly below the San Antonio median age.

The 2002 median household income for the Primary and Secondary Market Areas are slightly below the median income for the City of San Antonio. The 2002 estimated per capita income for the Primary Market Area was \$44,986 and \$42,028 for the Secondary Market Area.

Educational attainment is considered a direct factor in determining subsequent income potential. This is evidenced in the median household income for the area in 2004 being \$42,028, which is well below the median income for the city of San Antonio for the same year. As a percent of average household income, 41% is typically dedicated to mortgages and related household expenses. This would result in the average homebuyer in this area being able to afford \$1436 a month dedicated to housing.

Employment

Lackland Air Force Base is the primary industry within the primary and secondary areas surrounding the proposed development. Other area employers include: Sun Valley, Valley Hi, and Lackland City Elementary Schools; Rayburn Middle School; and the retail complex anchored by HEB at the intersection of Valley Hi Drive and Loop 410. There are no large retail, office or commercial users within either the primary or secondary market areas.

Current Housing Stock

The majority (93.66%) of housing units are comprised of single-family detached structures. In the Primary Market Area, it is estimated that 67.15% of the units

Educational Attainment

	High School +
Primary Market Area (0.5 miles)	75.07%
Secondary Market Area (1.5 miles)	75.79%
City	75.51%

YTD Sales Closed for Closest Market Area

	2003	2004 YTD
Average Sales Price	\$53,679	\$57,865
Sales Price Per sq ft	\$45.69	\$48.04
New Listings	28	6
Active Listings	20	14
Pending Sales	5	1
Days on Market	80	8

were built between 1960 and 1969. According to the 2002 Claritas data, 65.74% of the homes in the PMA are valued at \$50,000 to \$74,999, with an ownership rate of 71.9%. In the Secondary Market Area, it is estimated that 56.98% of the units were built between 1960 and 1969. Over half, 56.98%, of the homes in this area are valued at \$50,000 to \$74,999, with an ownership rate of 58.21%.

The proposed Hallie Heights development would provide homes ranging in cost from \$65,000 to \$100,000 and would not deviate from current housing stock and market activity, and would promote the development of affordable and market rate housing in the area.

Mobility

The 1995 American Housing Survey of the San Antonio Metropolitan Area cites various reasons for relocating and choice of residence.

Respondents surveyed indicated that the primary reason for leaving a particular neighborhood and current residence is a new job or transfer. The second reason is to establish own household, contributing to the demand of additional housing stock. The third represents a shift in population and user group.

Respondents surveyed indicated that the primary reason for selecting a particular neighborhood for their current residence is convenience to job. This is followed closely by proximity to support groups defined as friends and relatives. Quality of schools did not rank, as high, while convenience to leisure activities and public transportation was considered less important.

Conclusions

Based on referenced demographic and supportive data, there is a significant demand for the proposed Hallie Heights development. The subject site has an adequate absorption rate, based upon lack of comparable product and existing demand. As noted, the majority of the market available in the area is 30-year-old housing product. Further, the subject site is located in a prime location in terms of access to retail and shopping centers, educational facilities, employment centers, and major highways. The proposed development offers a new affordable housing product to meet the increased needs of residents wishing to reside near Loop 410.

Reasons for Leaving Previous Residence

	% Of Total Surveyed
New job or transfer	19%
To establish own household	15%
Needed larger house	13%
Other, family/ persons related	10%
Wanted better home	10%
Change from renter to owner	7%
Other	33%

Source: 1995 American Housing Survey of the San Antonio Metropolitan Area

Reasons for Selecting Current Residence

	% Of Total Surveyed
Convenient to job	25%
Convenient to friends/relatives	20%
Looks and design of neighborhood	19%
House was most important decision	18%
Good School	10%
Convenient to leisure activities	4%
Convenient to public transportation	3%
Other	1%

Source: 1995 American Housing Survey of the San Antonio Metropolitan Area

6. Departmental Review

A team of various departments analyzed the viability and feasibility of the project. Each evaluates the Application for Redevelopment submitted to the City expressing interest in TIF funding.

To ensure the developer criteria set forth in the City's Tax Increment Financing and Reinvestment Zone Guidelines & Criteria have been met along with other City policies, the respective departments review and coordinate with the developer and TIF coordinating department, information related to the project that assists in the analysis from their perspective.

Upon final analysis, each participating department submits a narrative review of the project. The City departments that comprise the team for analysis of the Hallie Heights project are: City Attorney's Office; Development Services; Environmental Services; Finance; Fire; Housing and Neighborhood Services; Office of Management & Budget; Parks & Recreation; Planning; and Public Works.

Exhibit A: Vicinity/School Districts Map

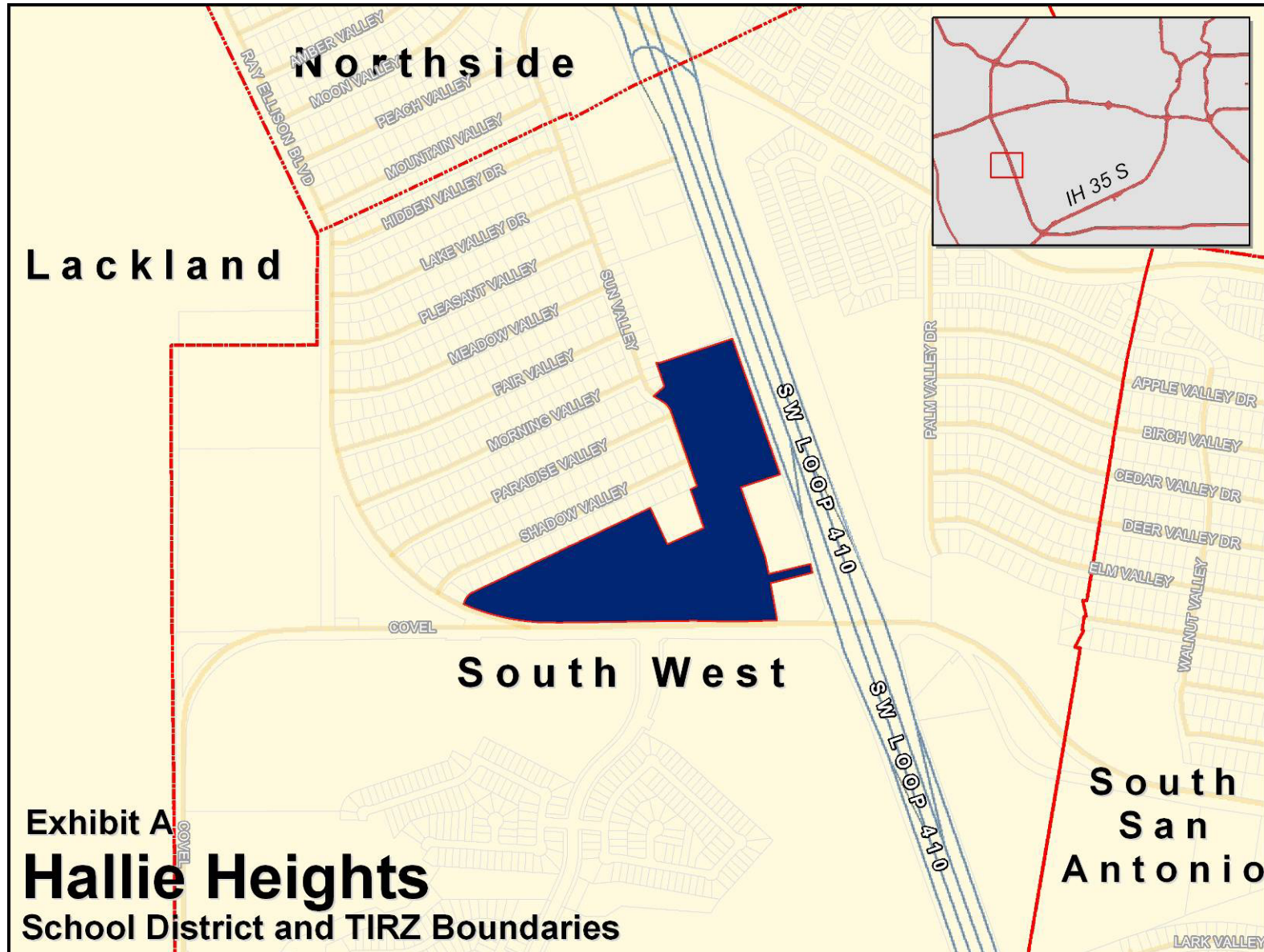


Exhibit B: Boundary/Flood Plain Map

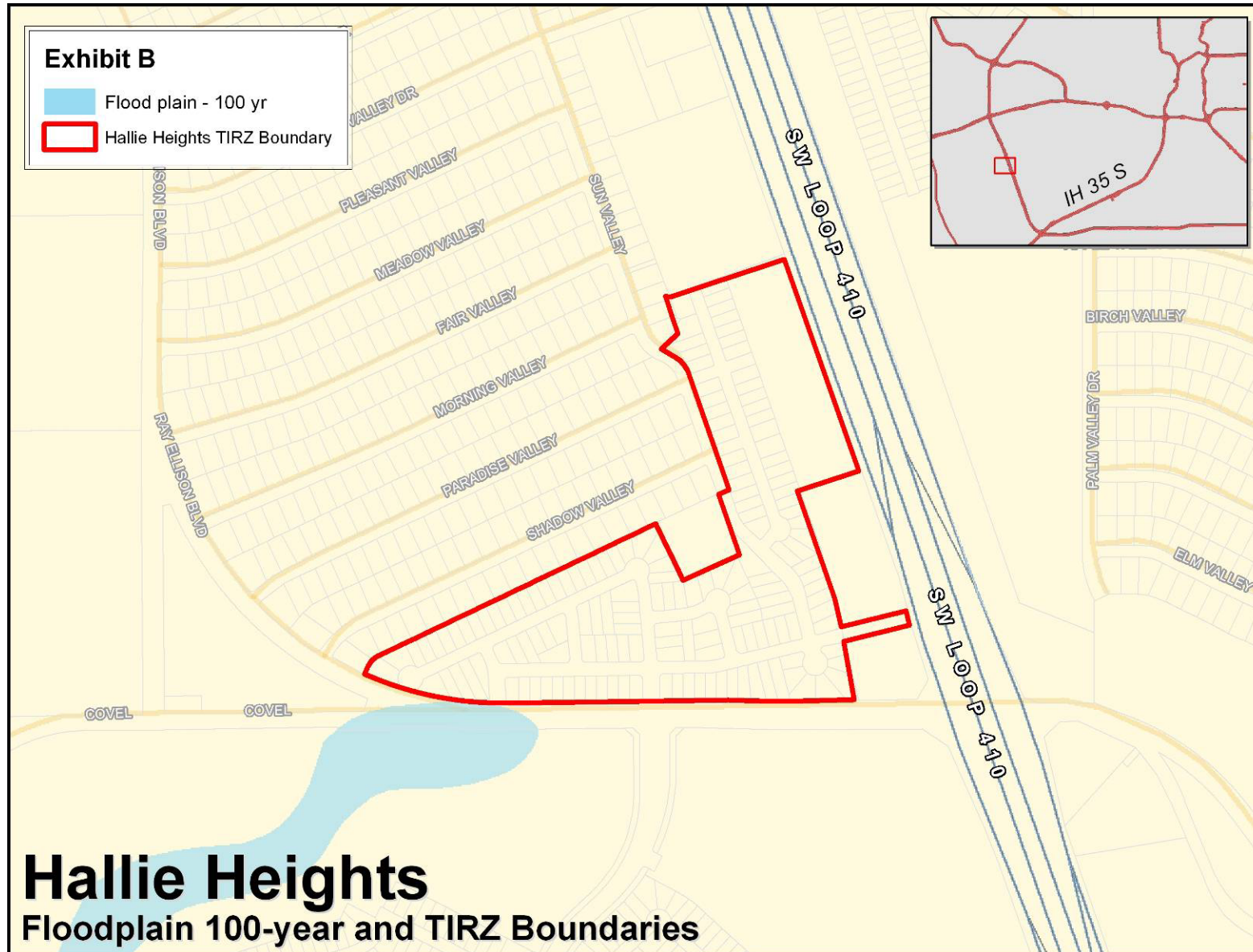


Exhibit C: Existing Land Use Map/Master Site Plan

